

23 February 2022

## CargoWise revenue up 33% ex FX – continued business momentum

*WiseTech revenue up 18%; EBITDA up 54%*

### First half financial year 2022 (1H22) overview

- 1H22 Total Revenue of \$281.0 million, up 18% (22% ex FX) on 1H21
- CargoWise revenue up 29% (33% ex FX) on 1H21, at \$193.0 million, driven by Large Global Freight Forwarder<sup>1</sup> rollouts, new customer wins, price and increased existing customer usage
- Acquisition (non-CargoWise) revenue<sup>2</sup> of \$87.9 million, down 1% (up 2% ex FX) on 1H21
- Market penetration momentum continuing – two new global rollouts secured in 1H22 – FedEx and Access World – and Brink’s Global Services (Brink’s) signed post 31 December 2021
- Ongoing product development delivered 589 CargoWise new product features and enhancements and continued expansion of the CargoWise ecosystem
- Organization-wide efficiency and acquisition synergy program well-progressed – \$20.2 million of gross cost reductions in 1H22 (net benefit \$19.7 million)
- EBITDA of \$137.7 million up 54% on 1H21 reflecting revenue growth and cost reductions
- EBITDA margin of 49% up 12 percentage points (pp) on 1H21, reflecting enhanced operating leverage
- Underlying NPAT<sup>3</sup> of \$77.3 million, up 77% on 1H21
- Robust free cash flow of \$90.3 million, up 85% on 1H21
- Strong outlook: FY22 EBITDA guidance upgraded to 33% to 43% growth (from 26% to 38%). Revenue growth guidance of 18% to 25% reaffirmed.

### Group financial metrics (1H22 v 1H21)

Group financial metrics	1H21	1H22	1H22 v 1H21
Total Revenue (A\$m)	238.7	281.0	18%
Recurring revenue (%) <sup>4</sup>	91%	93%	2pp
EBITDA (A\$m)	89.2	137.7	54%
EBITDA margin	37%	49%	12pp
Statutory NPAT (A\$m)	44.4	77.4	74%
Underlying NPAT (A\$m)	43.6	77.3	77%
Underlying EPS (cents per share)	13.4	23.7	77%
Interim ordinary dividend (cents per share)	2.70	4.75	76%
Free cash flow (A\$m)	48.7	90.3	85%
Free cash flow conversion rate	55%	66%	11pp

<sup>1</sup> Large Global Freight Forwarder is a CargoWise customer contracted to grow or who has grown either organically or contractually to 10 or more countries and 400 or more registered users on CargoWise

<sup>2</sup> Acquisition (non-CargoWise) revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue

<sup>3</sup> Underlying NPAT excludes fair value adjustments from changes to acquisition contingent consideration (1H21: \$0.8 million, 1H22: \$0.1 million)

<sup>4</sup> Recurring revenue percentage is the sum of revenue categorized as Recurring On-Demand and Recurring One-Time License (“OTL”) Maintenance revenue divided by Total Revenue

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WiseTech Global Limited (WiseTech or the Company) today announced its financial results for the six months ended 31 December 2021 (1H22). The Company reported **Total Revenue** of \$281.0 million, up 18% on the six months ended 31 December 2020 (1H21). 1H22 **Statutory Net Profit after Tax** (NPAT) of \$77.4 million was up 74% and 1H22 **Underlying NPAT** of \$77.3 million was up 77% on the prior corresponding period (pcp) (1H21: \$43.6 million).

WiseTech Founder and CEO, Richard White said, "We are seeing ongoing momentum in our market penetration with three new CargoWise large global rollouts secured since 1 July 2021 and continued strong CargoWise revenue growth demonstrating the appeal of our customer value proposition."

"Our top line revenue growth, coupled with our organization-wide efficiencies and acquisition synergies extraction program, is enabling us to drive operating leverage, as evidenced by our strong 1H22 financial performance."

### **Market conditions**

Mr White said, "The ongoing growth of eCommerce and strong demand for goods, coupled with the challenges posed by outbreaks of new COVID variants, has resulted in continued capacity constraints, port congestion, supply chain labor shortages and higher freight rates<sup>5</sup>."

"From WiseTech's perspective, whilst higher freight rates do not result in immediate revenue growth, we are benefitting from the acceleration of the longer-term structural changes they are driving. In particular, we are seeing increased investment by logistics companies in replacing legacy systems with integrated global technology, such as CargoWise, to drive productivity, and facilitate planning, visualization and control of global operations."

"We are also seeing continued consolidation within the logistics sector. Over the past two years Top 25 Global Freight Forwarders such as DHL, DSV<sup>6</sup>, CEVA Logistics, Kuehne + Nagel and JAS Worldwide have embarked on acquisitions with consolidation activity intensifying in the second half of calendar 2021."

### **Strong financial and operational performance**

The Company reported **Total Revenue** growth of 18% on 1H21 (1H22: \$281.0 million; 1H21: \$238.7 million) reflecting growth from its CargoWise platform and an expected 1% contraction in revenue from acquisitions. Total Revenue growth in 1H22 was impacted by \$9.2 million of unfavorable foreign exchange (FX) movements compared to a \$3.6 million FX headwind in 1H21. Excluding the FX impact, Total Revenue grew by 22% (\$51.6 million) in 1H22 on the pcp.

This \$51.6 million revenue growth (ex FX) reflects \$52.3 million of **recurring revenue** growth partially offset by a \$0.7 million decline in non-recurring revenue driven by the expected contraction of revenue from acquisitions (completed in FY20 and prior years). The acquired businesses typically have higher one-time license and/or support services revenue. As a result, as they transition to the WiseTech commercial model their revenues may be flat or reduce.

<sup>5</sup> The Australian Financial Review: "Is there an end to supply chain disruption" 10 January 2022. Originally published in The Financial Times

<sup>6</sup> Journal of Commerce article by Eric Johnson "DHL doubles down on hot ocean market with Hillebrand deal." 17 August 2021

<sup>7</sup> Journal of Commerce article by Eric Johnson "Outlook 2022: Forwarder profits obscure pressure on traditional 3PL model" 7 January 2022

The Company's strategically key **CargoWise revenue** grew by \$49.9 million (ex FX), or 33% in 1H22 (1H21: \$24.8 million (ex FX)) reflecting:

- increased usage by existing customers delivering \$37.3 million in 1H22 revenue growth (1H21: \$18.5 million) from additional transactions, seats, new sites, utilization of additional products and modules, growth from industry consolidation and Large Global Freight Forwarder rollouts;
- new customer growth delivering \$12.5 million of revenue growth in 1H22 (1H21: \$6.3 million)

CargoWise revenue included \$6.8 million in FX headwinds (1H21: \$1.4m FX headwind).

CargoWise's 1H22 revenue growth also included:

- a price change implemented in 1H21 to partially offset increased investment in product research and development (R&D), data center hardware and cyber security. The price change contributed approximately \$11 million to CargoWise's revenue in 1H22; and
- \$0.7 million from two 'tuck-in' acquisitions completed in 1H22, which are being integrated directly into the CargoWise ecosystem.

**Acquisition (non-CargoWise) revenue**<sup>8</sup> grew 2% (ex FX) on the pcp. Excluding \$2.4 million FX headwind experienced in 1H22, acquisition (non-CargoWise) revenue declined 1% (\$0.7 million) on pcp in line with expectations, reflecting a \$0.9 million decline in revenue from acquisitions completed in FY20 and prior years, partially offset by \$0.2 million revenue contribution from one acquisition completed in FY21.

**Earnings before interest, tax, depreciation and amortization (EBITDA)** grew 54% on the pcp to \$137.7 million. The Company achieved a 1H22 **EBITDA Margin** of 49%, up 12pp on 1H21. This improvement reflects the impact of WiseTech's strong revenue growth and \$19.7 million in net cost reduction benefits delivered by the Company's organization-wide efficiency and acquisition synergy program. **CargoWise's 1H22 EBITDA margin** of 58% represents an increase of 4pp on 1H21.

### **Strong balance sheet, cash flow generation and liquidity**

WiseTech's financial position is robust. Cash as at 31 December 2021 was \$380.3 million (with no outstanding debt excluding lease liabilities). The Company has an undrawn, unsecured, four-year, \$225 million, bi-lateral debt facility supported by six banks, providing it with a solid financial foundation for future growth.

The Company continued to generate strong cash flows demonstrating the highly cash-generative nature of its business and the strength of WiseTech's underlying operating model. 1H22 operating cash flow of \$134.7 million was up 46% on 1H21, free cash flow of \$90.3 million was up 85% on 1H21 and free cash flow margin of 32% was up 12pp on 1H21.

### **Strategic update**

WiseTech's '3Ps strategy' – *Product; Penetration; and Profitability* – is designed to deliver its vision to be the operating system for global logistics.

#### **1. Product**

Product development is key to achieving this. The Company's approach to product development is twofold – it invests in its own 'in-house' R&D and capabilities and it invests in strategic acquisitions which enable it to fast track the expansion of CargoWise's functionalities and geographic footprint.

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<sup>8</sup> Acquisition (non-CargoWise) revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue

In 1H22 the Company invested \$83.9 million in R&D (1H21: \$83.0 million), equating to 30% of Total Revenue, delivering 589 CargoWise new product features and enhancements and facilitating the ongoing progress of CargoWise's development priorities. CargoWise product development resources increased by 13% in 1H22 versus 30 June 2021 and have increased by more than 75% over the past three years driven by new hire recruitment and transfers from acquired business teams.

Since IPO in FY16 to the end of FY21 the Company completed 39 acquisitions. The Company is now well progressed in integrating the intellectual property from these acquisitions into the CargoWise ecosystem and aligning the acquisition teams to CargoWise's development priorities. Accordingly, the Company is now focused on the next strategic opportunities. Going forward WiseTech will focus on both smaller 'tuck-in' acquisitions and larger strategically significant acquisition opportunities.

Mr White said, "We are actively looking at, and executing on, 'tuck-in' acquisitions, which are typically smaller acquisitions that can quickly bring their team, technology and knowledge without major rewrites and rapidly add value to the CargoWise ecosystem."

In 1H22 two 'tuck-in' acquisitions were completed by the Company. These were Inobiz, which provides tools designing and managing CargoWise connection to industry and between customers, and Hazmatica, which provides hazardous materials compliance and management capabilities. Both these acquisitions, including their staff, knowledge and technology stacks are being integrated directly into the CargoWise ecosystem to provide benefits to existing CargoWise customers and as a result, their revenue contribution is included in CargoWise revenue in 1H22.

Mr White said, "We also continue to look at larger strategically significant acquisition opportunities. We have a very talented, successful and experienced team internally and we know our markets well which gives us confidence as we continue to explore and evaluate these opportunities."

"It is important to look at our product development approach holistically. Our in-house product development and our acquisition program are interconnected. They are designed to complement each other in accelerating the expansion of the CargoWise ecosystem, by delivering greater product capability, increased market penetration and further geographic coverage."

## 2. Penetration

CargoWise key performance indicators <sup>9</sup>	1H21	1H22	1H22 v 1H21
CargoWise revenue (A\$m)	\$150.0	\$193.0	29%
CargoWise recurring revenue (%) <sup>10</sup>	99%	99%	-pp
CargoWise EBITDA margin	54%	58%	4pp
Number of Large Global Freight Forwarder rollouts	33	40 (+Brink's post 31 December 2021)	7 <sup>11</sup> (+Brink's post 31 December 2021)
Number of countries where CargoWise is available	167	168	1

WiseTech's approach to market penetration is to target the Top 25 Global Freight Forwarders<sup>12</sup> and the top 200 global logistics providers. This enables the Company to benefit from global rollouts and consolidation within the logistics sector as large customers acquire other industry players and add them to their rollout on the CargoWise platform.

<sup>9</sup> Metrics are at end of period where applicable

<sup>10</sup> CargoWise recurring revenue percentage is the sum of CargoWise revenue categorized as Recurring On-Demand and Recurring One-Time License ("OTL") Maintenance revenue divided by CargoWise revenue

<sup>11</sup> Large Global Freight Forwarder rollouts in 1H22 increased by 8 offset by the consolidation of two CargoWise customers that is counted as one

<sup>12</sup> Based on Armstrong & Associates, Inc. Top 25 Global Freight Forwarders List ranked by 2020 logistics gross revenue/turnover and freight forwarding volumes (revenues are company reported or Armstrong & Associates estimates). Updated 3 September 2021

In 1H22, the Company secured two new global rollouts (FedEx, Access World) taking the total number of global rollouts to 40. The Company also signed a new global rollout with Brink's post 31 December 2021. The global rollouts include **10 of the Top 25 Global Freight Forwarders** which have rollouts on the CargoWise platform 'In Production'<sup>13</sup> or 'Contracted and in Progress'<sup>14</sup>. Given these large customers can take multiple years to roll out CargoWise across their sites globally, usage and transaction revenues are expected to continue to grow over time.

### **3. Profitability**

At the time of the Company's FY20 Results, WiseTech announced that it had commenced work on an organization-wide efficiency and acquisition synergy extraction program to streamline processes and teams, maximise operating leverage, and ensure appropriate allocation of resources. This program is well-progressed and delivered a \$19.7 million net benefit in 1H22. The Company is on track to achieve a cost reduction run-rate of ~\$45 million for FY22, exceeding its previous target of ~\$40 million.

### **Dividend**

The Board has declared a fully franked interim ordinary dividend of 4.75 cents per share (cps). The interim dividend is payable on 8 April 2022 to shareholders registered as at 14 March 2022 and represents a payout ratio of 20% of Underlying NPAT.

### **Outlook and guidance**

Supply chain disruption, capacity constraints and the outbreak of new COVID-19 strains in key markets will likely continue to impact global trade in FY22<sup>15</sup>.

WiseTech provides FY22 guidance on the basis that market conditions do not materially change, noting that changes in industrial production and/or global trade (both favorable and unfavorable) may impact guidance.

Subject to the assumptions set out in the WiseTech 1H22 Results Investor Briefing Materials the Company anticipates FY22 revenue growth of 18% to 25% (representing revenue of \$600 million – \$635 million) noting that CargoWise revenue growth is expected to be skewed towards the second half of FY22 in a more pronounced way than was the case in FY21.

The Company has today also upgraded its FY22 EBITDA growth guidance from the 26% to 38% provided at its FY21 Results and reaffirmed at its AGM to 33% to 43% (representing \$275 million – \$295 million).

Mr White concluded, *"We expect to continue to benefit from the acceleration in structural shifts from legacy systems to integrated global software solutions, and from industry consolidation, as large customers acquire businesses and add them to their CargoWise rollouts. Looking ahead, we remain focused on continuing to deliver breakthrough products that enable and empower those that own and operate the supply chains of the world."*

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<sup>13</sup> *In Production* refers to CargoWise customers who are operationally live on CargoWise and using the platform on a production database (rolled out in 10 or more countries and 400 or more registered users on CargoWise)

<sup>14</sup> *Contracted and in Progress* refers to CargoWise customers who are contracted to grow to rolling out CargoWise in 10 or more countries and for 400 or more registered users

<sup>15</sup> Article by Harry Demsey in The Financial Times reproduced in The Australian Financial Review on 10 January 2022

Authorized for release to ASX by David Rippon, Corporate Governance Executive and Company Secretary.

**Investor Presentation** Please refer to the WiseTech Global 1H22 Results Investor Briefing Materials released today for detailed financial data and analysis.

**Analyst Briefing** The WiseTech 1H22 Results presentation webcast will be held at 10.30am (AEDT) today. The webcast will be available at <https://webcast.openbriefing.com/8308/>

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**Forward looking statements**

Forward-looking statements in this release are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of WiseTech Global. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

**About WiseTech Global**

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 18,000<sup>16</sup> of the world's logistics companies across more than 165 countries, including 42 of the top 50 global third-party logistics providers and 24 of the 25 largest global freight forwarders worldwide<sup>17</sup>. Our flagship platform, CargoWise, forms an integral link in the global supply chain and executes over 72 billion data transactions annually.

Our mission is to change the world by creating breakthrough products that enable and empower those that own and operate the supply chains of the world. At WiseTech, we are relentless about innovation, adding over 4,600 product enhancements to our global platform in the last five years while bringing meaningful continual improvement to the world's supply chains. Our breakthrough software solutions are renowned for their powerful productivity, extensive functionality, comprehensive integration, deep compliance capabilities, and truly global reach. For more information about WiseTech Global or CargoWise, please visit [wisetechglobal.com](https://wisetechglobal.com) and [cargowise.com](https://cargowise.com)

<sup>16</sup> Includes customers on CargoWise and platforms of acquired businesses whose customers may be counted with reference to installed sites

<sup>17</sup> Armstrong & Associates: Top 50 Global 3PLs & Top 25 Global Freight Forwarders ranked by 2020 logistics gross revenue/turnover and freight forwarding volumes - Updated 3 September 2021